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Washington, D.C. **ANNUAL AUDITED REPORT**  
**123**  
**FORM X-17A-5**  
**PART III**

OMB APPROVAL

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2011 AND ENDING DECEMBER 31, 2011  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**LIBERUM CAPITAL INC**

OFFICIAL USE ONLY

FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**441 Lexington Avenue, 15<sup>th</sup> Floor**  
**New York, NY 10017**

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Steven C. Bender**

**646.290.7248**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Berson & Corrado**

(Name - if individual, state last, first, middle name)

**25 West 43<sup>rd</sup> St, Suite 920 New York**

(Address)

**NY**

(City)

**10036**

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

\* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant

FOR OFFICIAL USE ONLY

must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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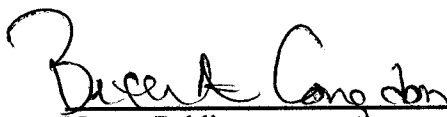
## OATH OR AFFIRMATION

I, **Steven C. Bender**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Liberum Capital Inc** as of **DECEMBER 31, 2011**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows: **NONE**.



Signature

**Financial & Operations Principal**  
Title



Notary Public

BETH A. CONGDON  
No. 01CO6199721  
Notary Public, State of New York  
Qualified in Erie County  
My Commission Expires Jan. 20, 20**13**

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditor's Report on Internal Control

*\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*



# BERSON+CORRADO

Integrated Financial Solutions



**LIBERUM CAPITAL INC.  
(A WHOLLY OWNED SUBSIDIARY OF  
LIBERUM CAPITAL LIMITED)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**LIBERUM CAPITAL INC.  
(A WHOLLY OWNED SUBSIDIARY OF  
LIBERUM CAPITAL LIMITED)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

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## Independent Auditor's Report

To the Stockholder  
Liberum Capital Inc.

We have audited the accompanying statement of financial condition of Liberum Capital Inc. (a wholly owned subsidiary of Liberum Capital Limited) as of December 31, 2011 and the related statements of operations, changes in stockholder's equity, changes in subordinated borrowings and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Liberum Capital Inc. at December 31, 2011, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berson + Corrado*

Ramsey, New Jersey  
February 24, 2012

25 West 43rd Street, Suite 920  
New York, NY 10036-7406  
T 212.730.5444  
F 212.730.5450

48 South Franklin Turnpike, Suite 101  
Ramsey, NJ 07446-2558  
T 201.661.6600  
F 201.661.6601

**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**STATEMENT OF FINANCIAL CONDITION**

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**DECEMBER 31,**  
**2011**

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**ASSETS**

Cash	\$	452,301
Deposit with clearing organization		538,685
Receivable from clearing organization		173,947
Prepaid expenses and other assets		122,446
Fixed assets, net		125,444
Security deposit		267,940
Deferred tax asset		344,957
Due from parent		6,384,046

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<b>Total assets</b>	<b>\$</b>	<b>8,409,766</b>
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**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accounts payable and accrued expenses	\$	427,805
Deferred tax liability		31,582
Interest payable - parent		126,650
Subordinated loans - parent		2,250,000

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<b>Total liabilities</b>		<b>2,836,037</b>
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**Stockholder's equity**

Common stock, \$0 par value; 1,000 shares authorized		
155 issued and outstanding		155,000
Series A preferred stock, \$0 par value; 9,000 shares authorized		
5,949 issued and outstanding		5,949,000
Accumulated other comprehensive income		38,648
Accumulated deficit		(568,919)

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<b>Total stockholder's equity</b>		<b>5,573,729</b>
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<b>Total liabilities and stockholder's equity</b>	<b>\$</b>	<b>8,409,766</b>
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**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**STATEMENT OF OPERATIONS**

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	<b>YEAR ENDED DECEMBER 31, 2011</b>
<b>Revenue</b>	
Service fees	<u>\$ 10,015,200</u>
<b>Operating expenses</b>	
Employee compensation and benefits	3,363,039
Travel and entertainment	418,165
Market data and research	522,928
Rent	331,825
Insurance expense	265,094
Depreciation	140,638
Consulting and professional fees	339,492
Commissions expense	179,718
Management fees	109,742
Training expense	29,699
Office expense	62,962
Utilities	152,715
Relocation costs	12,321
<b>Total operating expenses</b>	<u>5,928,338</u>
<b>Income from operations</b>	<u>4,086,862</u>
<b>Other income (expenses)</b>	
Interest	(57,920)
Income tax (expense) benefit	305,988
<b>Total other income (expenses)</b>	<u>248,068</u>
<b>Net income</b>	<u><u>\$ 4,334,930</u></u>

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*See accompanying notes.*



**LIBERUM CAPITAL INC.****(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)****STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**

	<b>Common Stock</b>	<b>Preferred Stock</b>	<b>Accumulated Other Comprehensive Income (loss)</b>	<b>Accumulated Deficit</b>	<b>Total Stockholder's Equity (Deficit)</b>
Balance - January 1, 2011	\$ 155,000	\$ 3,899,000	\$ 47,795	\$ (4,903,849)	\$ (802,054)
Issuance of preferred shares		2,050,000			2,050,000
Foreign currency translation adjustment			(9,147)		(9,147)
Net income				4,334,930	4,334,930
Balance - December 31, 2011	<u>\$ 155,000</u>	<u>\$ 5,949,000</u>	<u>\$ 38,648</u>	<u>\$ (568,919)</u>	<u>\$ 5,573,729</u>

*See accompanying notes.*

**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**STATEMENT OF CHANGES IN SUBORDINATED BORROWINGS**

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	<b>YEAR ENDED DECEMBER 31, 2011</b>
	<hr/>
Subordinated borrowings at January 1, 2011	\$ 2,250,000
Increases:	-.-
Decreases:	<hr/> -.-
Subordinated borrowings at December 31, 2011	<u><u>\$ 2,250,000</u></u>

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*See accompanying notes.*

**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**STATEMENT OF CASH FLOWS**

	<b>YEAR ENDED DECEMBER 31, 2011</b>
<b>Cash flows from operations</b>	
<b>Net income</b>	\$ 4,334,930
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>	
Depreciation expense	140,638
Deferred taxes	(313,375)
Security deposit	(2,565)
(Increase) decrease in operating assets:	
Receivable from clearing organization	(123,686)
Prepaid expenses and other assets	(36,027)
Due to/from parent	(6,373,467)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	248,102
Taxes payable	(2,500)
Interest payable - parent	58,361
<b>Net cash used in operating activities</b>	<u>(2,069,589)</u>
<b>Cash flow from investing activities</b>	
Capital expenditures	<u>(10,294)</u>
<b>Net cash used in investing activities</b>	<u>(10,294)</u>
<b>Cash flow from financing activities</b>	
Issuance of preferred stock	<u>2,050,000</u>
<b>Net cash provided by financing activities</b>	<u>2,050,000</u>
<b>Decrease in cash</b>	(29,883)
<b>Cash - beginning of the year</b>	<u>482,184</u>
<b>Cash - end of the year</b>	<u><u>\$ 452,301</u></u>

See accompanying notes.

**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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***Note 1 - Organization and Nature of Operations***

Liberum Capital Inc. (the "Company"), a New York corporation organized in February 2008, is a wholly owned subsidiary of Liberum Capital Limited (the "Parent"). The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA"). The Company received its FINRA approval for membership on January 23, 2009. The Company provides sales and marketing services to the Parent and engages in a general securities business with institutional investors.

***Note 2 - Summary of Significant Accounting Policies***

***Revenue Recognition*** – The Company provides sales and marketing services to the Parent. The fee for services is calculated based on direct and certain indirect costs incurred plus fifteen percent (15%).

***Clearing Transactions*** - The Company transmits all transactions through a clearing broker who maintains the customers' accounts.

***Property and Equipment*** - Property and equipment are carried at cost. When assets are sold or retired, the cost and related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

Depreciation is computed on the straight-line basis over the assets' useful lives.

***Advertising*** – The Company expenses the cost of advertising and promotions as incurred.

***Income Taxes and Deferred Taxes*** – The Company has elected to be taxed as a C-corporation pursuant to the Internal Revenue Code and applicable state laws. The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, Income Taxes. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires change.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The deferred tax asset relates primarily to the income tax benefit derived from net operating loss carry forwards. The deferred tax liability relates to tax depreciation in excess of amounts used for financial reporting purposes. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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***Note 2 - Summary of Significant Accounting Policies (continued)***

***Foreign Currency Translation*** - Assets and liabilities that are translated use exchange rates in effect at the balance sheet date and revenues and expenses that have occurred throughout the current fiscal year are converted at a weighted-average rate of exchange for the entire year. Resulting translation adjustments are recorded directly in accumulated other comprehensive income which is a separate component of stockholder's equity.

***Share-based Compensation*** - The Company recognizes compensation expense for share awards granted to employees in accordance with the fair value recognition provisions of FASB ASC 718, Compensation, at their estimated fair market value on the date of the grant.

***Statement of Cash Flows*** - For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid assets, with original maturities of less than three months that are not held for sale in the ordinary course of business.

***Use of Estimates*** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events*** - Management has reviewed and evaluated all events and transactions from December 31, 2011 (balance sheet date) through February 24, 2012, the date that the financial statements are available for issuance. The effects of those events and transactions that provide additional pertinent information about conditions that existed at the balance sheet date have been recognized in the accompanying financial statements.

***Note 3 - Property and Equipment***

Property and equipment at December 31, 2011, consisted of the following:

	<b>2011</b>
Furniture and fixtures	\$ 113,288
Equipment	241,602
Leasehold Improvements	162,602
	<u>517,492</u>
Accumulated depreciation	(392,048)
	<u><u>\$ 125,444</u></u>

**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**NOTES TO FINACIAL STATEMENTS**  
**DECEMBER 31, 2011**

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***Note 4 - Operating Lease***

The Company occupies office space under a lease agreement that expires in October 2013. Aggregated future minimum annual rental payments under the lease agreement are as follows:

2012	\$	289,765
2013		<u>247,478</u>
	\$	<u>537,243</u>

Rent expense for the year ended December 31, 2011 amounted to \$331,825.

***Note 5 - Income Taxes***

The income tax (expense) benefit for the year ended December 31, 2011:

Current		
State & local	\$	<u>(7,387)</u>
Deferred		
Federal		244,432
State & local		<u>68,943</u>
		<u>313,375</u>
	\$	<u>305,988</u>

As of December 31, 2011, the Company had a federal net operating loss carryforward of approximately \$592,000 that can be deducted against future taxable income. These tax carryforward amounts expire in various years through 2030.

***Note 6 - Subordinated Loans - Related Party and Other Related Party Transactions***

During February 2009, the Company entered into a subordinated loan agreement with the Parent for working capital; the agreement was accepted by FINRA as a satisfactory subordination agreement. The Company promises to pay the Parent on March 16, 2015 the sum of \$500,000 plus interest at the rate of Libor plus 2% per annum from the effective date of the agreement. Payments of all or any part of the loan amount prior to the maturity date may be made by the Company only upon receipt of the prior written approval of FINRA, but in no event may any prepayment be made before the expiration of one year from the date of the agreement. As of December 31, 2011 no payments have been made on this loan.

During June 2009, the Company entered into a subordinated loan agreement with the Parent for working capital; the agreement was accepted by FINRA as a satisfactory subordination agreement. The Company promises to pay the Parent on July 12, 2015 the sum of \$500,000 plus interest at the rate of

**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**NOTES TO FINACIAL STATEMENTS**  
**DECEMBER 31, 2011**

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*Note 6 - Subordinated Loans - Related Party and Other Related Party Transactions (continued)*

Libor plus 2% per annum from the effective date of the agreement. Payments of all or any part of the loan amount prior to the maturity date may be made by the Company only upon receipt of the prior written approval of FINRA, but in no event may any prepayment be made before the expiration of one year from the date of the agreement. As of December 31, 2011 no payments have been made on this loan.

During December 2009, the Company entered into a subordinated loan agreement with the Parent for working capital; the agreement was accepted by FINRA as a satisfactory subordination agreement. The Company promises to pay the Parent on January 23, 2016 the sum of \$750,000 plus interest at the rate of Libor plus 2% per annum from the effective date of the agreement. Payments of all or any part of the loan amount prior to the maturity date may be made by the Company only upon receipt of the prior written approval of FINRA, but in no event may any prepayment be made before the expiration of one year from the date of the agreement. As of December 31, 2011 no payments have been made on this loan.

During June 2010, the Company entered into a subordinated loan agreement with the Parent for working capital; the agreement was accepted by FINRA as a satisfactory subordination agreement. The Company promises to pay the Parent on July 30, 2013 the sum of \$500,000 plus interest at the rate of Libor plus 2% per annum from the effective date of the agreement. Payments of all or any part of the loan amount prior to the maturity date may be made by the Company only upon receipt of the prior written approval of FINRA, but in no event may any prepayment be made before the expiration of one year from the date of the agreement. As of December 31, 2011 no payments have been made on this loan.

The interest payable to the Parent on the subordinated loan agreements at December 31, 2011 was \$126,650.

At December 31, 2011 the Company has a receivable from the Parent totaling \$6,384,046; there are no repayment terms associated with this transaction.

During April 2009, the Company entered into a service agreement with the Parent. The agreement states that the Parent will provide execution of transactions and perform services related to the distribution of research published by the Parent. For the year ended December 31, 2011, the fees incurred by the Company to the Parent for these services amounted to \$109,742.

During February 2012, the Company and the Parent amended the service agreement with an effective date of January 1, 2010. Under the amended service agreement, the Company will provide sales and marketing services to the Parent. The fee earned by the Company for sales and marketing services is to be calculated based on direct and certain indirect costs incurred by the Company plus fifteen percent (15%). The amendment to the service agreement is effective for the 2010 fiscal year. For the year ended December 31, 2011, the fees earned by the Company from the Parent for these services amounted to \$10,015,200 which included \$3,352,933 for 2010.

**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**NOTES TO FINACIAL STATEMENTS**  
**DECEMBER 31, 2011**

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***Note 7 – Comprehensive Loss***

During 2009, the Company was required to make a deposit with its clearing broker. The deposit amount was 350,000 British Pound. This asset was translated into U.S. dollars using the exchange rate as of the balance sheet date. For the year ended December 31, 2011, the Company recorded a foreign currency translation adjustment of \$(9,147).

***Note 8 – Capital***

During 2010, the Company amended its Certificate of Incorporation as filed with the New York State Department of State, Division of Corporation, to provide that the Company shall be entitled to issue 10,000 shares, consisting of 1,000 shares of common stock with no par value and 9,000 shares of preferred stock with no par value. The total of 9,000 shares of preferred stock shall be designated as a series known as Series A Preferred Stock.

The holders of Common Stock shall be entitled to receive dividends out of the funds legally available therefore at 2% above LIBOR at such times and in such amounts. At December 31, 2011 LIBOR was 1.1003%.

Upon liquidation, dissolution or winding up of the Company, each holder of each outstanding share of Series A Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution, whether such assets are capital, surplus or earnings before any amount shall be paid or distributed to the holders of the Common Stock or any other series or class of capital stock of the Company ranking on liquidation junior to the Series A Preferred Stock, an amount per share equal to any declared but unpaid dividends to which such holder of Series A Preferred Stock is then entitled.

***Note 9 – Net Capital Requirement***

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2011, the Company had net capital of \$578,896, which was \$478,896 in excess of its required net capital of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 1.01 to 1.

***Note 10 – Indemnifications***

In normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connections with their acting as an agent of, or providing services to, the Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including sub-custodians and third-party brokers, improperly execute transactions.



**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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***Note 10 – Indemnifications (continued)***

The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

***Note 11 - Cash Segregated under Federal and other Regulations***

The Company is not required to maintain a special reserve bank account for the protection of customers as required by Rule 15c3-3 of the Securities and Exchange Commission under Section K(2)ii of the rule.

***Note 12 - Concentration of Credit Risk and Other Financial Information***

Cash held by financial institutions which exceed the Federal deposit Insurance Corporation ("FDIC") limits expose the Company to concentrations of credit risk. Balances throughout the year usually exceed the maximum coverage by the FDIC on insured depositor accounts. At December 31, 2011, the Company's uninsured cash balances total \$204,116.

Advertising expense for the year ended December 31, 2011 amounted to \$436.

**Supplemental Disclosure of Cash Flow Information**

Cash paid during the year for taxes	\$	9,886
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***Note 13 – Share Plans and Stock-Based Compensation***

The Parent has adopted an Ordinary Share Scheme and a Growth Share Plan (the "Plans") for eligible employees as defined in the Plans. The shares of the Parent are awarded at a price that approximates the estimated fair value of the shares at the date of grant as determined in accordance with the Plans. The shares awarded vest under various provisions, not to exceed 5 years. Management has determined that the share awards granted to Company employees is not material, therefore, no compensation expense has been recognized for the year ended December 31, 2011.

**LIBERUM CAPITAL INC.****(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)****SCHEDULE OF COMPUTATION OF NET CAPITAL AND AGGREGATE  
INDEBTEDNESS UNDER SEC RULE 15c3-1**

	<b>DECEMBER 31, 2011</b>
Total stockholder's equity	\$ 5,573,729
Add: Other (deductions) or allowable credits	
Subordinated debt loan - parent	2,250,000
Deductions and/or charges:	
Non - allowable assets	(7,244,833)
Net capital before haircuts on securities positions	578,896
Haircuts on securities	-
Net capital	\$ 578,896

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital requires (6-2/3% of aggregated indebtedness)	39,089
Minimum dollar net capital requirement	100,000
Net capital requirement (greater of above)	100,000
Excess net capital	\$ 478,896

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Accounts payable and accrued expenses	\$ 427,805
Deferred tax liability	31,582
Interest payable - parent	126,650
Aggregate indebtedness	\$ 586,037
Ratio of aggregate indebtedness to net capital	1.01:1.0

There are no material differences between the computation of aggregate indebtedness presented above and the computation of aggregate indebtedness in the Company's unaudited Form X-17A-5, Part II-A.

# LIBERUM CAPITAL INC.

## SCHEDULE OF RECONCILIATION OF NET CAPITAL PER FOCUS REPORT WITH AUDIT REPORT

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	DECEMBER 31, 2011
Net capital - per FOCUS Report	\$ 578,895
Rounding	1
Net capital - per audit report	<u>\$ 578,896</u>

**LIBERUM CAPITAL INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF LIBERUM CAPITAL LIMITED)**

**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER  
RULE 15C3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2011**

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The Company is exempt from the requirements  
of Rule 15c3-3 under Section (k)(2)(ii) of the rule.

**Independent Auditor's Supplementary Report on  
Internal Control Required by SEC Rule 17a-5**

To the Stockholder  
Liberum Capital Inc.

In planning and performing our audit of the financial statements of Liberum Capital Inc. (the "Company") as of and for the year ended December 31, 2011 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC) we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of difference required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projections of any evaluation of them to future periods are subject to the risk that may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be used by anyone other than these specified parties.

*Berson + Corrado*

New York, New York  
February 24, 2012



**BERSON+CORRADO**

Integrated Financial Solutions



**LIBERUM CAPITAL INC.**

**AGREED UPON PROCEDURES**

**DECEMBER 31, 2011**

**LIBERUM CAPITAL INC.**  
**AGREED UPON PROCEDURES**  
**DECEMBER 31, 2011**



**Independent Accountant's Report on Applying Agreed-Upon Procedures Related to an Entity's  
SIPC Assessment Reconciliation**

To the Stockholder  
Liberum Capital Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (General Assessment Reconciliation (Form SIPC-7)) to the Securities Investor Protection Corporation ("SIPC") for the year ended December 31, 2011, which were agreed to by Liberum Capital Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Liberum Capital Inc. compliance with the applicable instructions of the General Assessment reconciliation (Form SIPC-7). Liberum Capital Inc.'s management is responsible for Liberum Capital Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement record entries (copy of disbursement) noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Berson + Corrado*

New York, New York  
February 24, 2012

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